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UNFPA AND SECTOR-WIDE APPROACHES: FOLLOW-UP TO DECISION 2000/8*

Report of the Executive Director

I. INTRODUCTION

1. This report is submitted to the Executive Board in response to its decision 2000/8 of 6 April 2000 on UNFPA and sector-wide approaches (SWAp)s).
2. UNFPA has reported twice to the Board on its involvement in SWAp)s: in 1999 (document DP/FPA/1999/CRP.1) and in 2000 (document DP/FPA/2000/CRP.3). This report builds on the groundwork laid in those two reports.
3. In addition to decision 2000/8, the Board also adopted decision 99/4 of 16 April 1999 on UNFPA and SWAp)s. In decision 99/4, the Board encouraged UNFPA to: (a) take an active part in the policy-making and planning stages in SWAp)s in programme countries; (b) broaden and strengthen the competencies required to secure full and active participation of UNFPA in the policy-making and planning stages in SWAp)s; and (c) consider further, in consultation with partners, challenges and opportunities for full-fledged involvement by UNFPA in SWAp)s and to

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

partners, challenges and opportunities for full-fledged involvement by UNFPA in SWApS and to examine the need for changes in administrative and financial regulations that could facilitate such involvement, taking into account the multi-year funding framework (MYFF).

4. Decision 2000/8 was adopted on the basis of the report submitted to the Executive Board at its second regular session 2000 (DP/FPA/2000/CRP.3). In the report, UNFPA highlighted its experiences and involvement with SWApS. In programme countries that had adopted SWApS in the health and/or education sectors, the Fund had played an important advocacy role, ensuring that reproductive health issues, including family planning and sexual health, had been fully incorporated into sector-wide policy and operational plans. The report also revealed that from an operational perspective, the main area of concern had been the financing modalities. None of the UNFPA country offices in countries that had adopted SWApS in the health and/or education sectors had pooled their resources into a common-basket fund. Instead, country offices, with the agreement of Governments, had used the parallel funding mechanism, as this had enabled better tracking of resources and outputs, and better reporting and monitoring of support for reproductive health.

5. In decision 2000/8, the Executive Board: (a) encouraged UNFPA to further strengthen its participation in the design and execution of SWApS in accordance with its mandate and comparative advantage; (b) endorsed UNFPA participation, on a case-by-case basis, in common-basket funding arrangements where UNFPA was satisfied that adequate monitoring, reporting and accounting mechanisms were in place; and (c) requested UNFPA to track carefully its involvement in SWApS, compiling lessons learned and good practices, including the impact UNFPA participation in common-basket funding had on the achievement of the MYFF outputs.

6. In decision 2000/8, the Executive Board also requested the Executive Director of UNFPA to keep UNFPA financial regulations under active review, taking into account any adjustment that might facilitate the full participation of UNFPA in SWApS. The Board further requested the Executive Director to present proposals on this issue to the Board at its first regular session of 2002, after having submitted them to the Advisory Committee on Administrative and Budgetary Questions (ACABQ).

II. FINANCIAL REGULATIONS

7. In response to paragraph 7 of decision 2000/8, UNFPA reviewed its financial rules and regulations to identify those that might impede its full participation in SWApS and common-basket funding arrangements. The review concluded that the rules and regulations did not require amendments, but that there was a need to develop financial and programme procedures to enable full participation in SWApS. To respond to this and to other needs, UNFPA issued a circular on 19 December 2000 (UNFPA/CM/00/109, UNFPA/REP/00/129, UNFPA/RR/00/129) that outlined the general principles, execution modalities and contractual

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arrangements that applied to subcontracts and grants. The circular specified, among other things, three types of grants, including grants for joint funding within the framework of United Nations Development Group (UNDG) joint programmes and SWAp. The circular further specified that grants for joint programmes and/or SWAp could be executed by UNFPA, other United Nations agencies or governmental organizations.

8. Most importantly, the circular stated that grants within country programmes for joint programming and SWAp were not limited in size, number and ratio. In addition, it stated that financial and substantive accountability for grants under SWAp rested with the relevant executing agency. Previous circulars on the grant modality limited the amount of the grant to \$30,000. The circular of 19 December 2000 effectively removed the final obstacles to the full participation of UNFPA in SWAp and common-basket funding arrangements. By broadening the scope of the grant modality as a basis for participating in common-basket funding arrangements under a SWAp, UNFPA Representatives have been authorized to transfer UNFPA programme funds into a common account administered by a government agency or other United Nations agency, provided clearance has been received from the Director of the respective geographical division and the Director of the Division for Management Services.

9. Since it was not necessary to change or adjust financial regulations following the issuance of the above-mentioned circular, there was no need to seek guidance from the ACABQ or to present proposals to change or adjust financial regulations to the Executive Board, as requested in decision 2000/8.

10. After the issuance of the above-mentioned circular and following an interregional meeting in Addis Ababa, Ethiopia, in November 2001, the criteria for entering common-basket funding arrangements have been under discussion, including, but not limited to: (a) acceptable, transparent and verifiable accounting mechanisms, including financial reporting, agreed upon by all stakeholders; (b) satisfactory overall programme reporting, and review and monitoring mechanisms; (c) assured participation by UNFPA in the monitoring and evaluation mechanisms, and the ongoing development of time-bound indicators related to programme execution and financial performance; and (d) verifiable flow of funds to lower levels of government, such as regions and districts.

11. The rules and regulations of UNFPA do not inhibit the use of common reporting arrangements established by the Government and its development partners under a SWAp, provided that: (a) the reporting on programme implementation is carried out on an annual basis by a team of experts representing the Government and its development partners, in order to comply with reporting requirements to the Executive Board and other United Nations bodies; and (b) financial audits of the SWAp programme are carried out annually by either the auditor-general of the Government or an independent auditor, in order to comply with the audit requirements of UNFPA.

12. UNFPA country offices have been active, to varying degrees, in the policy dialogue and programme implementation in SWApS. UNFPA participation in SWApS has been primarily through parallel funding arrangements, in full agreement with the Government and in conformity with the common practice of UNDG partners. So far, UNFPA funds have not been pooled into a common-basket fund. In a number of countries, funding arrangements are changing and have not yet been fully worked out or agreed upon by the Government and its development partners.

13. The common-basket fund modality raises a number of issues for country offices: (a) the prospect of reduced visibility for UNFPA-supported programmes, making the raising of additional funds extremely difficult; (b) uncertainties about the transparency of financial disbursements; (c) the lack of timely reporting of expenditures, raising concerns about financial accountability; and (d) the problem of tracking funds and linking individual donor inputs to outputs.

14. The issue of tracking funds raises concerns about attribution and accountability. At a time when donor agencies and development partners place increasing emphasis on results-oriented programming, attributing individual agencies' specific inputs to results in sector-wide programmes has become a challenge. In entering a SWAp arrangement, especially a common-basket fund, drawing a direct link between UNFPA inputs and sector outcomes is difficult. The desired outcomes of sector-wide programmes are the collective responsibility of the Government and its development partners. UNFPA recognizes that the issue of attribution in SWApS poses challenges for measuring and reporting on performance. Nonetheless, UNFPA remains accountable for furthering the ICPD agenda within sector-wide programmes.

15. Like several of its counterparts in the United Nations system, UNFPA views itself primarily as a collaborating, rather than a funding, partner in a particular sector -- offering technical expertise, experience and know-how -- and playing a pivotal advocacy role. As the lead agency of the United Nations for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development (ICPD) and the Key Actions for the Further Implementation of the Programme of Action of ICPD, UNFPA must ensure that reproductive health activities are an integral part of the work plans of ministries of health under a SWAp.

16. Funding modalities are just one of the many aspects of a SWAp. Given the mandate and mission of the Fund, integrating reproductive health in a SWAp and monitoring its performance is as important as the issue of how programme funds are transferred to the Government. UNFPA rules and regulations now permit entry into a common-basket fund; this provides UNFPA Representatives with maximum flexibility in determining how the Fund can best participate -- both programmatically and financially -- in a SWAp. Most importantly, the views of the Government and its capacity to exercise leadership in the SWAp process are paramount.

III. CAPACITY-BUILDING

17. In paragraph 8 of decision 2000/8, the Board requested UNFPA, in collaboration with UNDG partners, to ensure adequate staff training on SWApS to enable the full participation of UNFPA in these processes. UNFPA has taken a number of initiatives in response to this request.

18. On 12-13 October 2000, UNFPA organized an expert group meeting on SWApS, which included representatives of programme countries, multilateral and bilateral donor agencies, and the United Nations system. The meeting, which was held in New York, underscored that SWApS presented excellent opportunities for UNFPA to develop and implement health-sector policies and strategies, especially in the areas of reproductive and sexual health and rights, and the empowerment of women. The meeting recommended that UNFPA establish criteria for entry and participation in SWApS and develop policies on involvement in SWApS.

19. In September 2001, UNFPA issued an information note on SWApS that outlined the various opportunities SWApS offered. The note stressed that it was the role and responsibility of UNFPA to ensure that reproductive health issues were adequately covered in a health-sector SWAp. On the issue of funding, the note stated that when there was an explicit, substantial component for reproductive health in a SWAp, a pooled arrangement could be considered, provided that there were adequate monitoring and reporting procedures and broad endorsement of partners for commingling funds.

20. UNFPA also organized an interregional meeting in Addis Ababa, Ethiopia, from 26 to 30 November 2001, with UNFPA Representatives from 10 countries where UNFPA had substantial involvement in SWApS: Bangladesh, Ethiopia, Ghana, Malawi, Mali, Mozambique, Senegal, Uganda, United Republic of Tanzania and Zambia. The purpose of the meeting was to share experiences on the role and involvement of UNFPA in the formulation, implementation and management of SWApS. The meeting confirmed that SWApS offered new opportunities to further the mandate of UNFPA at the country level, provided that issues were adequately addressed during the sector analysis, with evidence-based supportive action. The meeting also defined possible criteria for entering common-basket funding arrangements.

21. The training of UNFPA staff in health-sector reform and SWApS is a high priority for the Fund. UNFPA, in close collaboration with the World Bank Institute, recently developed a training course to familiarize UNFPA staff with the essential aspects of health-sector reform and SWApS. A pilot course for 36 staff members was held in Turin, Italy, in December 2001, and a second course is planned for 2002. Additional courses will be organized and other training opportunities explored.

22. These events and training activities have contributed to a greater awareness and understanding among UNFPA staff of SWApS and the role and opportunities available for the

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Fund. The ongoing efforts of UNFPA to strengthen the technical skills of its staff, including in strategic programme design; situation and problem analyses; stakeholder participation; monitoring, evaluation and reporting; and the use of lessons learned to adjust programme direction will reinforce the effectiveness of the Fund in SWAp and its ability to maintain a high degree of visibility.

IV. NEXT STEPS

23. UNFPA has identified three steps to be taken to ensure full and active participation in SWAp: (a) formulation and issuance of new programme guidelines on SWAp; (b) further staff training; and (c) further harmonization among UNDG partners.

24. The new programme guidelines that will be formulated will contain criteria for entering SWAp as well as reporting and auditing requirements. They will supersede the provisions in the circular of 19 December 2000 on subcontracts and grants that relate to SWAp under the grant modality. UNFPA expects to train all relevant country office staff in health-sector reform and SWAp by the end of 2004. UNFPA will also encourage further harmonization among UNDG partners of rules and procedures related to SWAp. UNFPA is an active member of the UNDG working group on the simplification and harmonization of programme procedures, which was established as a follow-up to General Assembly resolution 56/201 on the triennial policy review of operational activities for development of the United Nations system. The working group is expected to address the harmonization of policies and procedures in relation to SWAp.

V. RECOMMENDATION

25. The Board may wish to take note of the report as contained in document DP/FPA/2002/6.
